

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )

Policy and Rules Concerning the )  
Interstate, Interexchange Marketplace )

CC Docket No. 96-61

Implementation of Section 254(g) of the )  
Communications Act of 1934, as amended )

To: Chief, Common Carrier Bureau

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COMMENTS OF GTE

GTE Service Corporation ("GTE"), on behalf of its affiliated domestic telephone and interexchange companies and pursuant to the *Order and Order Seeking Comment*,<sup>1</sup> submits the following comments in response to AMSC Subsidiary Corporation's ("AMSC") *Request for Extension of Compliance Deadline*<sup>2</sup> regarding the requirements for rate integration established in the *Report and Order*<sup>3</sup> in the above-captioned proceeding.

AMSC's *Request* raises two issues. The first is whether AMSC has shown sufficient cause for an extension of the rate integration compliance deadline, and how that the extension will allow AMSC to comply rather than merely postpone its

<sup>1</sup> *Policy and Rules Concerning the Interstate Interexchange Marketplace; Implementation of Section 254(g) of the Communications Act of 1934, as amended*, CC Docket No. 96-61, DA 96-1538 (released Sept. 13, 1996). The Commission, at ¶8, granted AMSC an interim waiver of the recently promulgated rate integration rules pending further consideration.

<sup>2</sup> *AMSC Request for Extension of Compliance Deadline* (filed Aug. 23, 1996). AMSC, at 1, requests an extension of "at least one year of the deadline for its compliance with any applicable requirements for rate integration . . ."

<sup>3</sup> *Policy and Rules Concerning the Interstate Interexchange Marketplace and Implementation of Section 254(g) of the Communications Act of 1934, as amended*, CC Docket No. 96-61, FCC 96-331 (released Aug. 7, 1996).

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compliance. The second, not addressed by AMSC at all, is how AMSC, as a provider of interstate interexchange services, will integrate its rates with its affiliated carriers, including AT&T, in accordance with Paragraph 69 of the *Report and Order* which requires telecommunications providers to integrate their rates across *all* affiliates.<sup>4</sup>

First, with regard to whether AMSC has shown sufficient cause for an extension, GTE notes that all carriers will encounter problems in implementing rate integration, and that AMSC has identified no unique circumstances that warrant an extension of the rate integration deadline. The *Request* is based on AMSC's concerns about how to accommodate in rates the higher costs of providing service in the lower-power satellite beams that cover Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands.<sup>5</sup> However, many carriers face similar problems in accommodating cost differences while integrating prices.<sup>6</sup> Moreover, AMSC's *Request* does not explain how an extension of "at least" – but quite possibly more than – one year will allow AMSC to cure the problems it alleges, inasmuch as its satellite is currently in-orbit and operational.

Second, AMSC's *Request* does not address the separate issue of how AMSC will integrate its rates across affiliates (apparently including affiliates

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<sup>4</sup> While GTE has petitioned for reconsideration of this aspect of the *Report and Order* (see *GTE Petition for Reconsideration and Clarification*, CC Docket No. 96-61, Part II, at 11-12 (filed Sept. 16, 1996)), there is no reason to believe that the requirements imposed by that Paragraph do not apply on an equal basis to all carriers.

<sup>5</sup> AMSC *Request* at 1.

<sup>6</sup> See, e.g., Comments of GTE, CC Docket No. 96-61, Part I, filed Apr. 19, 1996 at 20-21.

providing services via satellite and/or terrestrial wireless systems). As noted above, the Commission has ruled that carriers must integrate their rates across all affiliates.<sup>7</sup> Although GTE disagrees with that ruling for the reasons stated in its *Petition for Reconsideration*,<sup>8</sup> until the rule is changed the Commission must apply it in an even-handed manner to *all* interstate interexchange service providers, including AMSC.<sup>9</sup>

The Communications Act, as amended by the Telecommunications Act of 1996, defines the term "affiliate" to mean

a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For the purposes of this paragraph, the term "own" means to own an equity interest (or the equivalent thereof) of more than 10 percent.<sup>10</sup>

A "person," in turn, is defined as "an individual, partnership, association, joint-stock company, trust, or corporation."<sup>11</sup> Thus, AMSC "affiliates," for the purpose of

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<sup>7</sup> See *Report and Order* ¶¶69.

<sup>8</sup> *GTE Petition for Reconsideration and Clarification* at 2. In the *Report and Order*, the Commission "interpreted" the term "provider" in Section 254(g) of the Act to "include parent companies that, through affiliates, provide service in more than one state." See ¶¶67. GTE has requested that the Commission reconsider its "interpretation" that in the context of rate integration a "provider" is the parent company and that rates must be integrated across *all* affiliates.

<sup>9</sup> See, e.g., *Melody Music, Inc. v. Federal Communications Commission*, 345 F.2d 730 (D.C. Cir. 1965).

<sup>10</sup> Telecommunications Act of 1996, Pub. L. No. 104-104, §3, 1996 U.S.C.C.A.N. (110 Stat.) 56, 58 (*to be codified at* 47 U.S.C. §153).. 153(1).

<sup>11</sup> 47 U.S.C §151(32).

rate integration, include any corporations that own an equity interest in AMSC of more than 10 percent.

As shown by AMSC's Form 10-Q filed with the Securities and Exchange Commission, AMSC has several "affiliates" under the definition put forth by the Act.<sup>12</sup> Specifically, AT&T, Hughes, and Singapore Telecommunications, Ltd. respectively own 12 percent, 26.66 percent, and 16.42 percent of AMSC.<sup>13</sup> Thus, all three entities are properly characterized as "affiliates" of AMSC and, under the *Report and Order*, their rates for domestic interstate, interexchange services must be integrated with those of AMSC. AT&T, of course, has long been subject to rate integration requirements, and the same should apply to Hughes and Singapore Telecommunications to the extent that they provide domestic interstate interexchange services.

If GTE Corporation and GTE Service Corporation -- which hold *no* FCC or state carrier authorizations -- are to integrate rates across all affiliates, surely AMSC and AT&T, which are affiliated companies that collectively hold a wide range of FCC authorizations, similarly should be required to integrate rates.

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<sup>12</sup> American Mobile Satellite Corp. 10-Q Report at Attachment 2 (June 30, 1996). The Commission's rate integration rules are no surprise to AMSC. In its 10-Q, AMSC commented that the 1996 Act "contains a provision prohibiting carriers from charging different rates to customers in different states" (*i.e.*, 254(g)) and that this provision "may inhibit AMSC's ability to charge different prices for operating in different beams." *Id.* at Attachment I, page 5.

<sup>13</sup> *Id.*

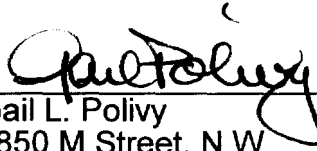
### CONCLUSION

The pricing and service difficulties outlined in AMSC's *Request* are no different from the complications faced by other carriers addressing rate integration requirements. In any event, consistent application of the Commission's ruling that GTE must integrate rates across all affiliates requires that AMSC integrate its rates with those charged by all of its appropriate "affiliates."

Respectfully submitted,

GTE SERVICE CORPORATION on  
behalf of its affiliated domestic telephone  
and interexchange companies

By: \_\_\_\_\_

  
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October 4, 1996

### **Certificate of Service**

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "Comments of GTE" have been mailed by first class United States mail, postage prepaid, on October 4, 1996 to all parties of record.



Ann D. Berkowitz